

Sales and Use Tax Records

If you hold a California sales or use tax permit, you are required to maintain business records to verify that you have properly paid tax. This fact sheet describes the general sales and use tax recordkeeping requirements for most businesses. Please note that recordkeeping requirements for other state, local, and federal taxes and fees may differ from those described here.

Why do I have to keep records?

In general, you are required to maintain business records so that our representatives may

- Verify the accuracy of your sales and use tax returns, and
- Determine if you have correctly paid the tax due on your sales and purchases.

If we audit your account and find that your records are not adequate, we will use standard accounting methods to determine how much tax you should have paid. In addition, a lack of complete, accurate records may be considered negligence or intent to evade the tax on your part, and you may have to pay penalties as a result.

What kinds of records should I keep?

You need to keep all records required to determine how much sales and use tax you owe, including

- Normal books of account that show your business income and expenses (see gross receipts information, below);
- Documents of original entry, such as invoices, receipts, job orders, purchase orders, contracts, or other documents you use as the basis for your books of account; and
- All schedules or working papers you use in preparing your sales and use tax returns.

There are specific recordkeeping requirements for businesses whose sales and use tax transactions are more complex, such as bars and restaurants, construction contractors, and motor vehicle dealers. For details, please check our industry-specific *Tax Tip* publications or call our Information Center.

What should my records show?

Your records need to show

- The gross receipts from all of your business income, including sales, leases, service charges, and labor income;
- All of the deductions you claim on your sales and use tax returns, along with support documents for those deductions; and
- The total purchase price of all items you bought to sell, lease, use, keep, or give away.

How detailed should my sales records be?

The level of required detail varies by industry. In any case, we must be able to determine the date of the sale, what you sold, all taxable and nontaxable charges,

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For additional information you may wish to order the publications and regulations listed on the reverse or talk to a Board of Equalization representative. For assistance, please call 800-400-7115 TDD/TTY 800-735-2929. Board website and Member contact information: www.boe.ca.gov



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and how much tax you applied to the sale. Individual sales invoices should generally include the date, customer's name and address, shipping address, type of product, quantity sold, sales price, any shipping charges, and the amount of tax. But if, for example, you operate a grocery store whose original sales records are register tapes, you obviously will not have that much detail for each sale.

If you have made nontaxable sales, you will need to keep documents to verify that tax did not apply, such as resale certificates, exemption certificates, shipping invoices, bills of lading, and so forth. For more information on documenting sales for resale, you may wish to obtain a copy of our publication 103, *Sales for Resale* (see below). If you make other kinds of nontaxable sales, please check with us regarding required documentation.

Do my records have to be in any particular form?

Your sales and use tax records can be in paper or electronic form or kept on storage media such as removable disks or film. If you keep electronic or film records, you need to make sure that you will be able to print them for us upon request. For more information on requirements for records kept in electronic form or on film storage media, see Regulation 1698, *Records*, available from our Information Center or Internet site.

How long should I keep my business records?

You should keep required sales and use tax records for at least *four years* unless we give you specific, written authorization to destroy them sooner. Exception: Records that cover reporting periods before January 1, 2003, may be covered by an extended statute of limitations if you did not participate in the 2005 tax amnesty program, or if questionable transactions are discovered during an audit. You must keep those records for at least *ten years*. If you are being audited, you should retain all records that cover the audit period until the audit is complete, even if that means you keep them longer than four years. And if you have a dispute with us about how much tax you owe, you should retain the related records until that dispute is resolved. For instance, if you appeal the results of an audit or another determination, or you file a claim for refund, you should keep your records while that matter is pending.

Does the Board keep my records confidential?

Your records are generally covered by state laws that protect your privacy. However, under certain circumstances we may release to the public the information printed on your seller's permit, account start and closeout dates, and names of business owners or partners. We may also share information regarding your account with certain state and federal agencies, with local governments, and with private firms authorized to represent them. When you sell a business, we can give the buyer or other involved parties information regarding your outstanding tax liability. With your written permission, we can release information regarding your account to your accountant, your attorney, or any other person you designate.

For more information

Publications

- 58-A How to Inspect and Correct Your Records
- 103 Sales for Resale
- 101 Sales Delivered Outside California
- 112 Purchases from Out-of-State Vendors

Regulations

- 1698 Records

Forms

- BOE-392 Power of Attorney

Note: The statements in this fact sheet are general and are current as of August 2006. The sales and use tax law and regulations are complex and subject to change. If there is a conflict between this publication and the law or regulations, decisions will be based on the law and regulations.